Interim Financial Report

For the half year ended 31 December 2018

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Ascot WA 6104

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gulfmanganese.com

ABN: 73 059 954 317
Gulf Manganese Corporation Limited

Contents

CORPORATE DIRECTORY

DIRECTORS

Mr Craig Munro (Non-Executive Chairman)
Mr Hamish Bohannan (Managing Director and CEO)
Mr Andrew Wilson (Non-Executive Director)
Mr Tan Hwa Poh (Non-Executive Director) – appointed 20 November 2018
Mr Sam Lee (Non-Executive Director) – appointed 21 July 2018 and resigned 20 November 2018

REGISTERED AND PRINCIPAL OFFICE

T4/152 Great Eastern Highway
ASCOT WA 6104
Telephone: (08) 9367 9228
Facsimile: (08) 9367 9229

Website: www.gulfmanganese.com

SHARE REGISTRY

Automic Registry Services Pty Ltd
Level 2/267 St George's Terrace
Perth WA 6000

Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
London House Level 3
216 St George's Terrace
Perth WA 6000

PT GULF MANGAN GRUP

Board of Directors

Hamish Bohannan	President Director
Johnannes Susilo	Vice President Director
Steven Pragnell	Director
Gerry Cooper	Director
Paul Robinson	Director
Ilham Nugraha	Director
David Brown	Director

Registered Office

Graha Pena Building, 5th Floor
Jl. Piet A Tallo No. 1
Kelurahan Liliba, Kecamatan Oebobo
Kupang 85111
East Nusa Tenggara

AUSTRALIAN SECURITIES EXCHANGE

Gulf Manganese Corporation Limited shares (GMC) are listed on the Australian Securities Exchange.

REVIEW OF OPERATIONS

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell low carbon ferromanganese alloy. The Kupang Smelting Hub facility will contain at least eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy.

At full production, Gulf will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of premium quality ferromanganese alloy.

Kupang Smelting Hub Construction Developments

Gulf's first two smelting furnaces, including the two transformers and associated parts, arrived safely on site at the Kupang Smelting Facility on July 23. The arrival was commemorated with a celebratory ceremony which was attended by representatives of Gulf, key investment partners, local stakeholders, esteemed Government representatives and Gulf's Board and Senior Management team.

All structural steel fabrication and civil works are now complete, while scopes of work for ancillary facilities including the laboratory, hazardous waste management, Health, Safety, Environmental and Security Centre as well as various employee amenity buildings have been finalised.

Further work to progress the Manganese Concentrate Export License required for a Direct Shipping Ore ("DSO") License was also carried out, which included a site visit, assessment and subsequent reporting by PT Surveyor Indonesia.

The next step in the construction process will include the pouring of floors and the installation of key equipment.

The furnace building steel erection on site at the end of the calendar year was 63.1% complete.

Figure 1: Construction of the Kupang Smelting Facility as at 5 October 2018

REVIEW OF OPERATIONS

Operating Licences Received

In August 2018, the Company's wholly-owned subsidiary PT Gulf Mangan Grup ("PT Gulf") received its Operating Licence for the Kupang Smelting Facility.

The Licence ("Mining Operation Permit for Special Production Operations of Mineral Processing and Purification" or "IUP-OPK") is valid for 30 years from 31 July 2018, and enables the Company to buy, sell and transport manganese ore within Indonesia for smelting.

It also allows the Company to conduct overseas sales of ferro-manganese alloy in accordance with the provisions of the laws and regulations of Indonesia.

Manganese Ore Supply Developments

As announced during the September quarter, Gulf strengthened its manganese ore supply pipeline by signing contracts with three local manganese mining companies for the supply of up to ~2,000 tonnes per month of manganese ore to the Kupang Smelting Hub Facility.

To date, the Company has negotiated contracts with a total of 19 local companies for the supply of an additional 6,000-8,000 tonnes per month of manganese ore. These latest ore supply agreements take the total amount of manganese ore secured to 10,000 tonnes per month.

Indonesian Manganese Developments

Following the inauguration of Bapak Viktor Bungtilu Laiskodat as the new Governor of East Nusa Tenggara ("NTT") in September, he made an announcement and on 14 November 2018 issued a Decree requiring the ceasing of all mining activities in the NTT province while a regulatory review into mining practices was conducted. The Decree referred in particular to the granting of new mining licences (IUPs) with a focus on the environmental performance of new and existing IUPs.

Gulf welcomed this review and is a strong advocate for the upholding of safe mining practices in the local NTT community. Gulf currently has 19 agreements in place with local manganese miners for the supply of ore to the Kupang Smelting Facility. As all of these have a 'Clean & Clear' status from the Ministry of Energy and Mineral Resources, it is not forecast that any of the agreements will be impacted by this review under the Governor's Decree.

Cornerstone Investment Update

In late August 2018, Gulf announced it had secured a cornerstone investment of ~A$10.8 million from Jakarta-based businessman, Bapak Dato Dr Low Tuck Kwong ("Bapak TK Low"), founder and President Director of integrated coal group PT Bayan Resources TBK ("PT Bayan"). Following the new Governor of the Province of East Nusa Tenggara ("NTT") requiring the ceasing of all mining activities in the province (see ASX Announcement dated 6 September 2018), Bapak TK Low notified Gulf that he would not be proceeding with the proposed A$10.8 million cornerstone investment (as announced on 28 August 2018), but advised that he would be open to revisit the investment proposal in the future.

Key Appointments

During the December quarter, Gulf announced the appointment of Mr Tan Hwa Poh to the position of Non-Executive Director. Mr Tan Hwa Poh is currently a Commissioner on the Board of Gulf's Indonesian subsidiary Company PT Gulf and works as a private business consultant, bridging businesses between Singapore, Indonesia, Thailand and Hong Kong in a variety of industries including oil and gas and agriculture. Gulf also advised at the same time that Mr Sam Boon Beng Lee resigned as a Non-Executive Director of GMC.

In addition, Mr Robert Ierace was appointed Chief Financial Officer and Company Secretary in October 2018, following the retirement of Mr Ian Gregory. Mr Ierace is a Chartered Accountant and Secretary with over 20 years' experience, predominantly with ASX and AIM listed resources, oil and gas exploration and production companies. He has extensive experience in financial and commercial management and has previously served in senior financial roles for various companies including Bullseye Mining Limited, Key Petroleum Limited, Amadeus Energy Limited, Kimberley Diamond Company NL and Rio Tinto Iron Ore.

Litigation Settlement

In December 2018, Gulf advised that following a mediation in the Supreme Court of Western Australia, Mighty River International Ltd ("MRI") and the Company have agreed in a Deed of Settlement and Release to settle all outstanding claims and dismiss the action.

As part of the agreed settlement, GMC has issued to MRI 100,000,000 GMC shares and 100,000,000 GMC listed options as a placement under ASX Listing Rule 7.1. MRI has also agreed to a cash subscription of 20,000,000 GMC shares at 1.5 cents with 20,000,000 free attaching GMC listed options at 0.5 cents.

The first $150,000 under the Deed of Settlement for the subscription of the shares and options was paid to the Company on 21 December 2018, with the remaining $150,000 paid on 15 January 2018.

The options were issued under the prospectus issued by the Company on 14 February 2019.

DIRECTORS' REPORT

Your Directors present their report for Gulf Manganese Corporation Limited ("the Company" or "Gulf") and controlled entities ("the Consolidated Entity") for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Mr Craig Munro (Non-Executive Chairman)
Mr Hamish Bohannan (Managing Director)
Mr Andrew Wilson (Non-Executive Director)
Mr Tan Hwa Poh (Non-Executive Director) - appointed 20 November 2018
Mr Sam Lee (Non-Executive Director) - appointed 21 July 2018 and resigned 20 November 2018

Directors were in office from the beginning of the half-year until the date of this report unless otherwise stated.

CORPORATE INFORMATION

Corporate Structure

Gulf is a limited liability company that is incorporated and domiciled in Australia. The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

		Equity Interest %	
Controlled entities	**Place of incorporation**	**2018**	**2017**
Gulf Copper Pty Ltd [1]	Australia	100	100
Gulf Manganese Pty Ltd [1]	Australia	100	100
International Manganese Group Limited	Australia	100	100
PT Gulf Mangan Grup	Indonesia	100	100

[1] These companies were inactive during the half-year and comparative periods.

Nature of Operations and Principal Activities

The principal activity of the Company is developing an ASEAN focused manganese alloying enterprise based in West Timor.

OPERATING AND FINANCIAL REVIEW

Capital Raising

On 20 August 2018, Gulf Manganese agreed to place 100,000,000 GMC shares at an issue price of 1.26 cents to Acuity Capital for a total raise of $1,260,000 (net of costs). The placement was made in accordance with the previously announced Controlled Placement Agreement ("CPA") with Acuity Capital (see ASX Announcement dated 31 January 2018).

Operating Results

Consolidated loss after income tax for the financial period was $5,139,887 (2017: $2,549,403).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2019, Gulf announced that it had entered into subscription agreements with PT Jayatama Global Investindo ("PT JGI") and a Singapore based ore and alloy company for the issue of 533,333,333 Shares at an issue price of 1.5 cents per Share plus 533,333,333 free attaching listed options for a total raise of $8 million in two separate tranches:

- 241,815,011 shares and 241,815,011 listed options (these securities were issued on 15 January 2019); and
- 291,518,322 shares and 291,518,322 listed options to be issued upon satisfaction of certain conditions precedent, (Tranche 2).

Gulf also announced that PT JGI agreed with PT Gulf Mangan Grup ("GMG") to waive the final conditions precedent and restructure its A$6 million convertible Note into 25.1% of the issued capital in GMG and A$5 million loan repayable from the profits of commercial production from the Kupang manganese smelter hub. As part of the restructure PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters. The key terms of the loan are disclosed in note 3 (Borrowings).

Following completion of the first tranche on 15 January 2019 approximately $A2.5 million was used to fully repay all amounts owing under the PT JTS facility, which is replaced by the new PT JGI investment. As part of the first tranche completion, Eighteen Blue Investments Pty Ltd ("EBI") converted its existing A$2 million of convertible notes into 133,333,333 shares in Gulf at a conversion price of 1.5 cents per share.

On 18 January 2019 a redemption notice in respect to the A$1 million convertible notes that were issued in June 2017 (refer ASX announcement 28 June 2017) was received and repayment made.

At the Company's General meeting held on 28 February 2019, Shareholders approved the following:

- The issue of 291,518,322 shares at an issue price of 1.5 cents per share and 291,518,322 free attaching listed options to PT JGI and a Singapore based ore and alloy trading company (being the Tranche 2 securities described above).
- The issue of Performance Rights to Mr Craig Munro, Mr Hamish Bohannan and Mr Andrew Wilson in accordance with the Company's Long-Term Incentive Plan.
- The issue of 8,750,000 shares to Mr Craig Munro and 18,750,000 shares to Mr Tan Hwa Poh in recognition of additional work done for the Company beyond their normal duties as Directors.

As per the Deed of Settlement and Release with Mighty River International Limited (MRI) announced on the 24 December 2018, the company paid MRI the following:

- 100,000,000 free attaching GMC listed options
- Received A$0.15 million as cash subscription from MRI and issued 10,000,000 ordinary shares at 1.5 cents per share
- 20,000,000 free attaching GMC listed options as part of the cash subscription of MRI

DIRECTORS' REPORT

Subsequent to the period end, the Company has issued 41,551,190 ordinary shares at an average price of 0.78 cents per share upon conversion of existing loans from non-related parties. The Company also issued 20,000,000 shares at an average price of 0.93 cents per share for services rendered by non-related consultants.

The Company also repaid a short term loan for US$0.3 million on 30 January 2019.

On 13 March 2019 the company exercised a placement with Acuity Capital by placing 62,500,000 shares at an issue price of 0.8 cents (inclusive of costs) for a total raise of A$0.5 million.

AUDITOR INDEPENDENCE

We have received the independence declaration from the auditor of Gulf Manganese Corporation Limited, Bentleys Audit & Corporate (WA) Pty Ltd, a copy of which is attached to the Directors Report on page 8 of the financial report.

This report is made in accordance with a resolution of the Directors.

CRAIG MUNRO
CHAIRMAN

15 March 2019

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Gulf Manganese Corporation Limited for the half year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

BENTLEYS **Chartered Accountants**	**CHRIS NICOLOFF CA** **Partner**

Dated at Perth this 15th day of March 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	31 December 2017 $
Interest revenue		26,503	26,110
Foreign exchange gains		-	4,212
Sale of tenement assets		-	25,000
Directors fees and staff remuneration		(1,544,512)	(346,426)
Share based payments adjustment/(expense)		258,667	(1,613,185)
Administration expenses		(1,118,350)	(428,591)
Settlement expenses	4, 5	(1,500,000)	-
Exploration and evaluation expenditure		(2,613)	(3,085)
Finance costs		(379,866)	(40,329)
Legal fees		(367,095)	(59,646)
Professional fees		(481,211)	(98,587)
Depreciation		(22,446)	(8,616)
Foreign exchange loss		(8,964)	-
Fixed assets written off		-	(6,260)
Loss before income tax expense		(5,139,887)	(2,549,403)
Income tax expense		-	-
Net Loss for the half year		(5,139,887)	(2,549,403)
Other comprehensive income		177,653	(599,246)
Total comprehensive loss for the half year		(4,962,234)	(3,148,649)
Earnings/(loss) per share:			
Basic and diluted loss per share (cents per share)		(0.18)	(0.12)

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,651,288	4,213,499
Trade and other receivables		259,979	111,450
Other assets		354,705	537,818
Total Current Assets		**2,265,972**	**4,862,767**
Non-Current Assets			
Property, plant and equipment	6	20,256,709	14,782,964
Other assets		1,130,960	610,103
Total Non-Current Assets		**21,387,669**	**15,393,067**
Total Assets		**23,653,641**	**20,255,834**
LIABILITIES			
Current Liabilities			
Trade and other payables	2	3,901,654	2,963,421
Provisions		48,301	41,157
Borrowings	3	11,379,984	7,515,018
Total Current Liabilities		**15,329,939**	**10,519,596**
Total Liabilities		**15,329,939**	**10,519,596**
Net Assets		**8,323,702**	**9,736,238**
EQUITY			
Contributed equity	4	43,639,533	38,942,128
Accumulated losses		(40,536,543)	(37,822,267)
Reserves	5	5,220,712	8,616,377
Net Equity		**8,323,702**	**9,736,238**

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Issued capital $	Convertible note reserve $	Option reserve $	Foreign currency translation $	Accum. losses $	Total equity $
Balance at 1 July 2018		**38,942,128**	**221,840**	**8,849,133**	**(454,596)**	**(37,822,267)**	**9,736,238**
Loss for the half year		-	-	-		(5,139,887)	(5,139,887)
Other comprehensive loss		-	-	-	177,653	-	177,653
Total comprehensive gain/loss for the year		**-**	**-**	**-**	**177,653**	**(5,139,887)**	**(4,962,234)**
Transfer of performance rights vested during the period	5	1,455,707	-	(1,455,707)	-	-	-
Share based payments adjustment		(66,667)	-	(192,000)	-	-	(258,667)
Securities issue during the year (net of costs)	4	3,308,365	-	500,000	-	-	3,808,365
Expiry of share options				(1,711,261)		1,711,261	
Exercise of share options				(714,350)		714,350	
Balance at 31 December 2018		**43,639,533**	**221,840**	**5,275,815**	**(276,943)**	**(40,536,543)**	**8,323,702**
Balance at 1 July 2017		**32,309,605**	**-**	**6,681,714**	**-**	**(30,354,705)**	**8,636,614**
Loss for the half year		-	-	-		(2,549,403)	(2,549,403)
Other comprehensive loss		-	-	-	(599,246)	-	(599,246)
Total comprehensive loss for the year		-	-	-	(599,246)	(2,549,403)	(3,148,649)
Transfer of performance rights vested during the period		2,112,332	-	(2,112,332)	-	-	-
Share based payments		-	-	1,613,185	-	-	1,613,185
Securities issue during the year (net of costs)		4,380,993	-	-	-	-	4,380,993
Balance at 31 December 2017		**38,802,930**	**-**	**6,182,567**	**(599,246)**	**(32,904,108)**	**11,482,143**

The accompanying condensed notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Payments to suppliers and employees	(2,434,389)	(1,105,679)
Interest received	26,503	26,110
Finance costs paid	(61,494)	(40,329)
Net cash used in operating activities	**(2,469,380)**	**(1,119,898)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(86,181)	(4,947,901)
Payments for construction of plant and project development	(4,318,547)	-
Proceeds from sale of tenements	-	25,000
Payments for mining tenement deposit	(615,089)	(131,028)
Payments for security deposit	-	(96,499)
Receipt of security deposits returned	132,104	-
Net cash from/(used) in investing activities	**(4,887,713)**	**(5,150,428)**
Cash flows from financing activities		
Proceeds from issue of securities net of costs	1,289,105	4,796,251
Proceeds from borrowings	3,494,532	-
Repayment of borrowings	(50,000)	
Net cash provided by financing activities	**4,733,637**	**4,796,251**
Net increase/(decrease) in cash and cash equivalents held	(2,623,456)	(1,474,075)
Foreign exchange differences	61,245	(367,431)
Cash and cash equivalents at beginning of the half year	4,213,499	5,348,144
Cash and cash equivalents at end of the half year	**1,651,288**	**3,506,638**

The accompanying condensed notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018.

Accounting Standards that are mandatorily effective for the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 9 *Financial Instruments* and related amending Standards
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 9 Financial Instruments and related amending Standards

In the current year, the Company has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Company adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary, AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Company has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

Critical accounting estimates and judgments

The Directors evaluate estimates and judgements incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Key Estimates - Impairment

The Consolidated Entity assesses impairment at the end of each reporting period by evaluating conditions specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Going concern

The interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the half-year of $5,139,887 (2017: $2,549,403) and net operating cash outflows of $2,469,380 (2017: $1,119,898).

As at 31 December 2018, the Consolidated Entity had a working capital deficit position of $13,063,967 (30 June 2018: working capital deficit of $5,656,829).

Whilst the Consolidated Entity is in a net asset position, the incurred losses and operating cash outflows indicate a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern.

The Directors however have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

The Directors believe it is appropriate to prepare these accounts on a going concern basis as follows:

- the Company is working to develop a ferromanganese smelting and sales business to produce low carbon ferromanganese alloy in West Timor, Indonesia; and
- the Company announced that it had entered into subscription agreements with PT JGI and a Singapore based ore and alloy company for the issue of 533,333,333 shares at an issue price of 1.5 cents per share plus 533,333,333 free attaching listed options for a total raise of A$8 million in two separate tranches; and
- the Company announced that PT JGI agreed with GMG to waive the final conditions precedent and restructure its A$6 million convertible note into 25.1% of the issued capital in GMG (subject to MEMR approval) and A$5 million loan repayable from the profits of commercial production from the Kupang manganese smelter hub. The loan is repayable by September 2020; and
- Eighteen Blue Investments Pty Ltd ("EBI") converted its existing A$2 million of convertible Notes into 133,333,333 shares in Gulf at a conversion price of 1.5 cents per share; and
- the Company repaid A$1 million convertible notes that were issued in June 2017 (refer ASX announcement 28 June 2017); and
- the Company converted short term loans to the value of A$0.3 million via the issue of 41,551,190 shares; and

- the Company repaid a US$3 million short term loan; and
- the Company currently has 1.8 billion listed options with an exercise price of $0.005 creating the potential to raise up to A$9 million. The options are currently in the money at the date of this report.

Should the Consolidated Entity be unsuccessful in completing the required funding, finalising offtake finance, and commencing production at the intended time and at the required profit levels, there is material uncertainty whether the Consolidated Entity would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

2. TRADE AND OTHER PAYABLES

	Consolidated	
CURRENT	**31 December 2018**	**30 June 2018**
	$	**$**
Trade payables	2,862,275	1,885,297
Accruals	95,237	223,338
Other payables	523,710	443,878
Employee liabilities	123,495	211,481
Tax liabilities	296,937	199,427
	3,901,654	2,963,421

3. BORROWINGS

During the period, the Company drew down A$2.5 million from the standby facility with PT Jayatama Tekno Sejahtera ('PT JTS'). There is interest of 20% per annum, payable monthly

Subsequent to the end of the period:

- The Company repaid the draw-down of $A2.5 million under the stand-by facility. The facility was replaced by a new A$6 million investment from PT JGI undertaken in two tranches, the first of which was completed on 15 January 2019 providing A$2.7 million. Please see note 7 for further details of the investment.
- PT JGI agreed with PT Gulf Mangan Grup ("GMG") to restructure its A$6 million convertible note into 25.1% of the issued capital in GMG and A$5 million loan repayable from the profits of commercial production from the Kupang manganese smelter hub. The loan is repayable by 30 September 2020 and has an 8% interest charge calculated monthly. The loan has a Fiducia charge security granted over the manganese smelters.

- Eighteen Blue Investments Pty Ltd ("EBI") converted its existing A$2 million of convertible notes into 133,333,333 shares in Gulf at a conversion price of 1.5 cents per share.
- The company repaid A$1 million in convertible notes issued in June 2017 (refer ASX announcement 28 June 2017).
- the Company issued 41,551,190 ordinary shares at an average price of 0.78 cents per share upon conversion of A$0.3 million existing loans from non-related parties.
- The Company repaid a short term US$0.3 million loan.

Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes		
	30 June 2018 $	***Inflow***	***Outflow***	***Adjustment[1]***	***FX movement***	**31 December 2018 $**
Short-term borrowings	7,515,018	3,494,532	(50,000)	193,315	227,119	11,379,984
Total liabilities from financing activities	**7,515,018**	**3,494,227**	**(50,000)**	**193,315**	**227,119**	**11,379,984**

[1] An amount of $193,315 was adjusted at the end of the period being the amortised portion of the 133,333,333 free-attaching listed options issued to Eighteen Blue Investments Pty Ltd for the A$2 million of convertible notes.

4. ISSUED CAPITAL

	31 December 2018		30 June 2018	
Shares on issue	**No.**	**$**	**No.**	**$**
Ordinary shares issued and fully paid	3,102,314,772	43,639,533	2,660,722,860	38,942,128
Total contributed equity	**3,102,314,772**	**43,639,533**	**2,660,722,860**	**38,942,128**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Movement in ordinary shares on issue	31 December 2018 No.	$
Balance at 1 July 2018	2,660,722,860	38,942,128
Exercise of listed options expiring 21 April 2019 at $0.005	133,851,912	669,260
Exercise of unlisted options expiring 30 September 2018 at $0.0196	2,300,000	45,080
Issue of ordinary shares at $0.015	10,000,000	150,000
Issue of shares to Acuity Capital Pty Ltd [1]	100,000,000	1,260,000
Issue of shares as part of settlement [2]	100,000,000	1,000,000
Issue of shares for services rendered by consultant	13,333,333	133,333
Vesting of performance rights deemed at 1.6 cents	82,106,667	1,455,707
Less capital raising costs	-	(15,975)
Balance at 31 December 2018	**3,102,314,772**	**43,639,533**

[1] At the Company's Annual General Meeting on 19 November 2018, Shareholders approved the issue of shares to Acuity Capital Pty Ltd in accordance with the Controlled Placement Agreement dated 1 January 2018.

[2] On 21 December 2018, the Company issued 100,000,000 shares deemed at 1.5 cents each as part of a settlement agreement with Mighty River International Limited ("MRI").

5. RESERVES

Movement in listed options (GMCO) exercisable at 0.5 cents each expiring 21 April 2019

	31 December 2018 No.	$
Balance at 1 July 2018	1,627,658,304	2,283,122
Exercise of listed options	(133,851,912)	(669,270)
MRI settlement options [1]		500,000
Balance at 31 December 2018	**1,493,806,392**	**2,113,852**

[1] Options were issued and settled subsequent to year end per Deed of Settlement and Release with Mighty River International Limited ("MRI").

Movement in unlisted options exercisable at 1.96 cents each expiring 30 September 2018

	31 December 2018 No.	$
Balance at 1 July 2018	148,425,917	3,048,592
Exercise of unlisted options	(2,300,000)	(45,080)
Lapsing of unlisted options	(64,625,917)	(1,711,261)
Balance at 31 December 2018	**81,500,000**	**1,292,251**

Movement in performance rights

	31 December 2018 No.	31 December 2018 $
Balance at 1 July 2018	181,213,336	3,517,419
Vesting of performance rights (granted 28 November 2016)	(17,000,000)	(510,000)
Vesting of performance rights (granted 21 November 2017)	(65,106,667)	(945,707)
Forfeiture of performance rights (granted 21 November 2017)	-	(192,000)
Balance at 31 December 2018	**99,106,669**	**1,869,712**

6. PROPERTY, PLANT AND EQUIPMENT

Balance at 31 December 2018	Smelter hub (under Construction) $	Land and buildings $	Motor vehicles $	Office furniture & equipment $	Total $
At cost	19,981,537	83,283	28,888	229,963	20,323,671
Accumulated depreciation	-	(9,987)	(4,514)	(52,461)	(66,962)
Carrying value as at 31 December 2018	**19,981,537**	**73,296**	**24,374**	**177,502**	**20,256,709**
Reconciliation					
Opening carrying value	14,577,987	73,873	24,903	106,201	14,782,964
Additions	5,403,550	-	-	86,181	5,489,731
Disposals	-	-	-	-	-
Depreciation expense	-	(3,716)	(1,618)	(17,112)	(22,446)
Foreign currency differences	-	3,139	1,089	2,232	6,460
Closing written down value at 31 December 2018	**19,981,537**	**73,296**	**24,374**	**177,502**	**20,256,709**

Balance at 30 June 2018	Smelter hub (under Construction) $	Land and buildings $	Motor vehicles $	Office furniture & equipment $	Total $
At cost	14,577,987	80,144	27,799	139,739	14,825,669
Accumulated depreciation	-	(6,271)	(2,896)	(33,538)	(42,705)
Carrying value as at 30 June 2018	**14,577,987**	**73,873**	**24,903**	**106,201**	**14,782,964**
Reconciliation					
Opening carrying value	4,224,147	-	-	24,308	4,248,455
Additions	10,353,840	80,144	27,799	111,292	10,573,075
Disposals	-	-	-	(3,913)	(3,913)
Depreciation expense	-	(6,271)	(2,896)	(25,197)	(34,364)
Foreign currency differences	-	-	-	(289)	(289)
Closing written down value at 30 June 2018	**14,577,987**	**73,873**	**24,903**	**106,201**	**14,782,964**

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 January 2019, Gulf announced that it had entered into subscription agreements with PT Jayatama Global Investindo ("PT JGI") and a Singapore based ore and alloy company for the issue of 533,333,333 shares at an issue price of 1.5 cents per share plus 533,333,333 free attaching listed options for a total raise of $8 million in two separate tranches:

- 241,815,011 shares and 241,815,011 listed options (these securities were issued on 15 January 2019); and
- 291,518,322 shares and 291,518,322 listed options to be issued upon satisfaction of certain conditions precedent, (Tranche 2).

Gulf also announced that PT JGI agreed with PT Gulf Mangan Grup ("GMG") to waive the final conditions precedent and restructure its A$6 million convertible note into 25.1% of the issued capital in GMG and A$5 million loan repayable from the profits of commercial production from the Kupang manganese smelter hub. As part of the restructure PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters. The key terms of the loan are disclosed in note 3 (Borrowings).

Following completion of the first tranche on 15 January 2019 approximately $A2.5 million was used to fully repay all amounts owing under the PT JTS facility, which is replaced by the new PT JGI investment. As part of the first tranche completion, Eighteen Blue Investments Pty Ltd ("EBI") converted its existing A$2 million of convertible notes into 133,333,333 shares in Gulf at a conversion price of 1.5 cents per share.

On 18 January 2019 a redemption notice in respect to the A$1 million convertible notes that were issued in June 2017 (refer ASX announcement 28 June 2017) was received and repayment made.

At the Company's General meeting held on 28 February 2019, shareholders approved the following:

- The issue of 291,518,322 shares at an issue price of 1.5 cents per share and 291,518,322 free attaching listed options to PT JGI and a Singapore based ore and alloy trading company (being the Tranche 2 securities described above).
- The issue of Performance Rights to Mr Craig Munro, Mr Hamish Bohannan and Mr Andrew Wilson in accordance with the Company's Long-Term Incentive Plan.
- The issue of 8,750,000 shares to Mr Craig Munro and 18,750,000 shares to Mr Tan Hwa Poh in recognition of additional work done for the Company beyond their normal duties as Directors.

As per the Deed of Settlement and Release with Mighty River International Limited (MRI) announced on the 24 December 2018, the company paid MRI the following:

- 100,000,000 free attaching GMC listed options
- Received A$0.15 million as cash subscription from MRI and issued 10,000,000 ordinary shares at 1.5 cents per share
- 20,000,000 free attaching GMC listed options as part of the cash subscription of MRI

Subsequent to the period end, the Company has issued 41,551,190 ordinary shares at an average price of 0.78 cents per share upon conversion of A$0.3 million existing loans from non-related parties. The Company also issued 20,000,000 shares at an average price of 0.93 cents per share for services rendered by non-related consultants.

On 13 March 2019 the company exercised a placement with Acuity Capital by placing 62,500,000 shares at an issue price of 0.8 cents (inclusive of costs) for a total raise of A$0.5 million.

The Company repaid a short term US$0.3 million loan.

8. COMMITMENTS

There are no operating lease or exploration commitments as at the date of this report.

9. CONTINGENT LIABILITIES

As per the restructure agreement between PT Jayatama Global Investindo ("PT JGI") and PT Gulf Mangan Grup ("GMG"), it was agreed that PT JGI will receive a 2.5% net royalty on alloy sales from GMG's first two smelters.

There are no other contingent liabilities as at the date of this report.

10. DIVIDENDS

No dividends have been paid or proposed during the half year.

DIRECTORS' DECLARATION

The Directors of the company declare that:

1) The financial statements and notes, as set out on pages 9-20:

   a. Comply with Accounting Standard AASB 134: Interim Financial Reporting, Corporations Act 2001 and the Corporations Regulations 2001; and

   b. Give a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date.

2) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with resolution of the board.

CRAIG MUNRO
CHAIRMAN

Perth
15 March 2019

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Gulf Manganese Corporation Limited

We have reviewed the accompanying half-year financial report of Gulf Manganese Corporation Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gulf Manganese Corporation Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $5,139,887 during the half year ended 31 December 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Partner

Dated at Perth this 15th day of March 2019